Secrets. II.-37—100,000—31-5-51

M

Rev (1953 48) Department.

MS SERIES

O. No. 746

lated 1-4-48

[Despatch Abstract.]

Tax _ The Madras General Sales Tax Act, 1939 - Sales of Milk Supply Union and Societies - Permanent exemption - Negatived -

Back Papers.

G.O.	No.	Department	Date.	G.O	No.	Department.	Date
Ms	64	Rev	10-1-44				
Ms	57	Rev	24-7-44				
Ms	506	Rev	28-2-47				
Ms	1798	Rev	28-7-47				

Further Papers.

G.O.	No.	Department.	Date.	G.O.	No.	Department	Date.
Ms	1137	Rev.	29-11-49				
	2333	Rev	7-9-57				
	3559	Rev	31-12-5,				
	26	Rev	5-1-52				

Copy of letter Rc.No.16678/47.T., dated 25th Sept.'47 from the Registrar of Co-operative Societies, Madras, addressed to the Secretary to Govt., Revenue Deptt., Fort St. George, Madras, through the Development Deptt., Fort St. George, Madras.

Sub: Co-operative Societies - Milk Supply Societies - and Unions - Exemption from the levy of sales tax Resolution No.7(a) of the Co-operative Conference held at Madras on 12th and 13th Sept.'47.

The Co-operative conference that was held at Madras on the 12th and 13th September 1947 with the Hon'ble the Minister for Local Administration in the chair passed the following resolution on the question of levy of Sales Tax on the transactions of Co-operative Milk Supply Union and Societies:-

"Co-operative Milk Supply Societies and Union should be given complete exemption from the levy of sales tax because ordinarily individual suppliers of milk do not come under taxable limits. A levy on co-operative milk supply societies and unions will regtard their progress which is essential for the well being of both producers and consumers of Milk".

In this connection, I invite Government's attention to my letter Rc.3988/45,T. dated 1-3-46 wherein I had suggested that Government might exempt the Co-operative Milk Supply Societies and Unions from the levy of sales tax under the Madras General Sales Tax Act. Attention is also invited to my letter No.3988/45.T.dated 8-5-46 communicating the resolution passed at the first conference of representatives of milk supply societies and unions held at Coimbatore on 6-5-46 on the same subject. In para 4 of the letter first cited, I had explained at length how the levy of sales tax on milk supply societies and Unions penalises these institutions simply because they are joint associations of milk producers and how such levy would discourage any attempt to organise milk supply on a co-operative basis In the second letter cited I had mentioned the arguments in support of the demand for ~~the~~exempting co-operative milk supply organizations from the operation of the Madras General Sales Tax Act altogether. The Government however did not grant such a permanent exemption, but only granted a temporary exemption for the year 1946-47 in G.O.Ms.1592 Rev., dated 24-7-46. The exemption has since been extended to the year 1947-48 also, in G.O.Ms.No.1798, Rev. dated 28-7-1947. The Cooperative conference that was held at Madras on 12th and 13th September 1947 again considered the position, in all its aspects, and has reiterated the demand for complete exemption in the resolution under reference. I strongly recommend the resolution for Govt's consideration and request that the Government may be pleased to exempt permanently all Co-operative Milk Supply societies and unions from the levy of sales tax under the Madras General Sales Tax Act, 1939.

Copy of Ref.T.No.7965/47-3 dated 6-2-1948 from the Revenue Deptt., addressed to the Secretary to the Govt. Revenue Department, Fort St. George.

Sub: Madras General Sales Tax Act 1939 - Sales of Milk Supply Unions and Societies - Permanent Exemption - Proposals - Report - Submitted

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Ref: Govt. Memo.No.487-N/47-1, Revenue, dated 20-10-47.

REFERENCE.

The Co-operative Conference has resolved that the

the Co-operative Milk Supply Unions and Societies should be given complete exemption from sales tax be cause ordinarily individual suppliers of milk do not come within the taxable limit'. The Registrar of Co-operative Societies has recommended the resolution to the Government. The Board has examined the question and submits that there is nothing new now to go into the question of legal liability as it has been decided already and the Government have agreed to the decision that 'a Co-operative Milk Supply Society is a 'dealer' within the meaning of sec.2(b) of the Act and is liable to thepayment of sales tax in respect of its sales of milk to a Milk Supply Union or to the public'--Please see Board's Reference T. No.8494/45-1 dated 29-11-45 and G.O No.Ms.104 Revenue dated 16-1-1946. The point for consideration at present is only about the desirability of granting permanent exemption in continuation of the temporary exemption granted in G.O.Nos.1592 Revenue dated 24-7-46 and 1798 Revenue dated 28-7-47 for the years 1946-47 and '47-48. The temporary exemption for the two years was granted for the reasons that the societies were still in their infancy and that the exemption would enable them to build up sufficient resources. As regards this question, a study of the following statistics will help to come to the definite conclusions:-

1) There are 22 Unions and 93 Societies on the books of the department at present.

2) The tax realized from them prior to 1946-47 was as follows:-

1941-42 and prior ..	Rs.10,675/-
1942-43	4,438/-
1943-44	8,563/-
1944-45	35,935/-
1945-46	72,325/-

The tax lost to the Government by the grant of temporary exemption during

1946-47 was	Rs.83,769/-
1947-48 "	Rs.91,586/-

3). There was assessment of these Societies and Unions in--

3 districts in	1941-42
8 " "	42-43
13 " "	43-44
14 -do-	44-45
20 -do-	45-46, (46-47 and 47-48)

(4) According to the statistics furnished by the Registrar of Co-operative Societies in March 1947--

there were 21 Unions and 248 societies;

i) Out of them, 149 had not completed 3 years of working and 46 had completed three years but not 6 years, and

ii) On the whole there were 197 societies whose turnover was only below Rs.20,000/-

It can thus be seen that the transactions of these Unions and societies show a progressive increase year after year. The tax involved is about a lack (now 1.5 lakhs) and it is not a small amount. However, the societies in the districts of Vizagapatam, West Godavari, North Madraas, South Arcot, Trichinopoly, Ramnad and Tinnevelly are reported to be in their infancy while no societies have yet been formed in the districts of Bellary, Anantapur and Cuddapah.

2. In the above circumstances, the Board submits tha there is absolutely no case for granting the request f permanent exemption and that if the Government conside that the societies are still in their infancy and need protection, exemption may be extended for the next yea viz., 1948-49 also.

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gs/17-12/

GOVERNMENT OF MADRAS
Revenue Department
G.O.Ms.No.746, dated 1st April, 1948.

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ABSTRACT

TAX - the Madras General Sales Tax Act, 1939 - Sales of Milk Supply Union and Societies - Permanent exemption - Negatived -

READ:-

G.O.Ms.No.1592, Revenue dated 24-7-1946
" No.1798, Revenue dated 28-7-1947.
From the Registrar of Co-operative Societies Rc.16678/43-T., dated 25-9-'47.
" the Board of Revenue Ref.T.7965/47, dated 6-3-48.

O R D E R:

The Government do not find sufficient justification for exempting the Co-operative Milk Supply Societies and Unions from Sales tax permanently as recommended by the Registrar of Co-operative Societies in the reference read above. The Government however direct that no sales tax should be collected from the Co-operative Milk Supply Societies and Unions in respect of/sales of milk during the year 1948-49.

(By Order of His Excellency the Governor)

x x x x,
Secretary to Government

To
The Board of Revenue.
The Registrar of Co-operative Societies
Copy to the Development Deptt.

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gs/17-12/

In March 1946, the R.C.S. requested Govt. to exempt the Co-operative Milk Supply Societies and unions from the operation of the Madras General Sales Tax. This Dept. supported the request of the R.C.S. as the Milk Supply Co-operative Societies were not financially established and that some concession to these societies and Unions, at least temporarily was justified. Orders were issued to the effect that Co.op. Milk Societies and Unions should be given temporary exemption from the operation of the Madras General Sales Tax Act during 1946-47 in G.O.1592 Rev., dated 24-7-46. This temporary exemption was extended for the year 1947-48 also in G.O.1798 Rev., dated 28.7.1947.

In his letter on p2 c.f. the R.C.S. has recommended, for the reasons stated therein, that the Co-op. Milk Supply Unions and Societies may be exempted permanently from the levy of sales Tax. The Bd. of Rev. is of opinion that there is no case for permanent exemption from the levy. It has however suggested that the Govt. if they consider necessary, may grant temporary exemption for the year 1948-49 also to the Societies which Govt. consider to be still in their infancy. Rev. Deptt. have agreed with the views of the Bd. of Revenue and have proposed that the exemption may be extended on a temporary basis for the present. For orders if whether this Dept. will agree with the Rev. Dept. or recommend the proposals of the R.C.S. to exempt the Societies permanently from the operation of the Act. After orders are passed the file may be passed on to Finance.

The view of Rev. may be accpeted that temporary exemption may continue for the present, the position being left open for review to the reference to the financial strength of the Milk Societies and other relevant considerations.

(Sd.) xxx

Finance (Accounts A)Deptt

The proposal in this file is to exempt the Co-operative Milk Supply Societies and Unions from the levy of sales tax under the Madras General Sales Tax Act, 1939.

Please see the notes of Development on pages 5-6 above, which explain the proposal fully.

The Board considers that there is absolutely no case for granting permanent exemption from sales tax as recommended by the R.C.S. and that, if the Govt. consider that the Societies are still in their infancy and need protection exemption may be extended for the next year viz., 1948-9 als

The point for consideration is whether the Co-operative Milk Supply Unions and Societies can still be regarded as being in their infancy and needing protection for purposes of exemption from sales tax.

The R.C.S. reported in 1946 that these unions and Societies had not enough resources with which they could pay the sales tax and so exemption was granted for 1946-47 to enable them to build up sufficient resources. This concession was extended for the year 1947-8 on the same ground However, the Board of Revenue has now stated that the transactions of these unions and Societies show a progressive increase year after year. In addition they may be making profits also. The protection given to them in the previous two years seems to be sufficient.

2. The amount of tax involved is Rs.1.5 lakhs and it is not, as pointed out by the Board of Revenue, a small amount It is submitted that the Govt. can ill-afford to forego such a large sum at present, especially when they are considering all possible sources for increasing the revnues of the Province

3. In the circumsantances and in view of the reasons already stated in this Deptt's note on pages 4-5 n.f. of G.O.No.1798, Revenue, dated 28-7-'47, this department may strongly advise against the proposal of Revenue, and suggest that sales tax may be levied from the Milk Supply Unions and Societies from 1948-9 onwards.

evenue will no doubt take orders in circulation.

n G.O.No.506, Rev., dated 28-2-47, the Govt. have refused to exempt the sales of milk by individual producers of milk from sales tax. It does not seem desirable to make a distinction between Co-operative Societies and unions and the private individual producers. H.M.(Fin.) may seem.

xxxx
9-3-48.

I agree with A.S. Dev.
10-3-48.
Reve.

Fin.Nc
D-10-3

Revenue Department.

To A.S.

Notes from X on page 5 ante may be read.

2. The sales of milk by Milk Supply Soceities and Unions were exempted from tax for the year 1946-47 and the exemption was later continued for the year 1947-48. The Registrar of Co-operative Societies has, for the reasons stated in his Ref. at page 1 c.f. recommended permanent exemption from sales tax. The Board of Revenue, the Rev. and Devt. Deptts. consider that there is no case for granting permanent exemption and that temporary exemption may be granted for the year 1948-49 also for the present. For the reasons stated in their note on pages 6-7 above, the Fin. Deptt. however advise that even temporary exemption for the year 1948-49 should not be granted and that the sales of milk by the Unions should be assessed to sales tax from 1948-49 onwards. The file may be circulated to H.M.(Fin.) and H.M.(L.A.) for orders -

(a) whether permanent exemption should be granted as recommended by the Registrar of Co-operative Societies,

OR

(b) whether the present temporary exemption should be continued for the year 1948-49 also as recommended by the Board and supported by Rev. and Devt. Depts.

OR

(c) whether the sales of milk by Cooperative Milk Supply Unions and Societies should be assessed to sales tax from 1948-49 onwards as suggested by Finance.

(Sd.) xxx

H.M.(Fin) xxx
H.M.(L.A.) xx18/3

b may be accepted.
(Sd.) B.G.R.)
18/3

To A.S

Please see the orders in circulation above. A draft order is submitted for approval. Finance may see before iss

(Sd.) xxxx
23-3-48.

FINANCE (A.S.)

(Previous Finance note on pp.6-7 above)

The orders in circulation above and the draft order below may be perused and the file returned to Revenue.

(Sd.) xxx

REV. DEPTT.

Issue

(Sd.) xxx

31-3-48.

/True Copy/

R. Thiagarajan 22-1-64

Office Assistant,
Madras Record Office.